



COUNTY OF LOS ANGELES
Internal Services Department
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United We Stand

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Director

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October 9, 2002

To: Each Supervisor

From: Joan Ouderkirk
Director

*Joan Ouderkirk
my DL*

Subject: **STATUS REPORTS ON "BOLD STEPS FORWARD" AND THE
INFORMATION TECHNOLOGY PROCUREMENT PROCESS**

This is a status report on initiatives identified in the "Bold Steps Forward" report and a separate review related to enhancements to the Information Technology (IT) procurement practices. Specifically:

- On May 22, 2001, your Board directed the Internal Services Department (ISD) to set a timetable for completing all feasible "Bold Steps Forward" report recommendations or report on those that are not feasible within 90 days. Five status reports have been provided to your Board since that time documenting our work with the Contracts and Purchasing Task Force to complete implementation of the remaining feasible recommendations.
- On July 17, 2001 your Board instructed ISD to work with the Chief Administrative Office (CAO), Chief Information Office, and Office of Small Business (OSB) to conduct a review of departmental and vendors' concerns regarding the IT procurement process. A report describing the issues, concerns and potential actions was provided to your Board on October 17, 2001. That report also indicated that the IT procurement findings and recommendations would be incorporated into status reports on "Bold Steps Forward" because many of the topical areas and potential solutions were common to the Countywide contracting and purchasing process.

Since the last status report on June 26, 2002, work has continued on all outstanding Bold Steps and IT procurement recommendations and significant progress has been made. Specifically:

- On July 23, 2002 your Board approved the Local Small Business Enterprise (SBE) Preference Program and the effectuating ordinance, which is applicable to all solicitations issued after October 28, 2002. On September 16, 2002 ISD commenced training classes for County procurement and contracting staff. The CAO, in conjunction with ISD, Office of Affirmative Action Compliance (OAAC)

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and County Counsel, has developed and issued implementation instructions on September 27, 2002 for distribution to County departments.

- ISD, in conjunction with the Office of Small Business, finalized the format for the quarterly reports from the data tracking and retrieval system for documenting the level of bids and awards related to small business. The first report was issued on August 27, 2002 to the Small Business Commission and details the number of purchase orders or contracts awarded to vendors who met the State defined criteria for a small business enterprise.
- The 16-hour "Orientation to County Contracting Principles" developed as a collaborative effort between the Department of Human Resources, ISD, County Counsel, and the Auditor-Controller continues to be offered to staff on a regular basis. To date, 575 staff have attended the mandatory training and classes will continue into early 2003 to meet the demand. In addition, it was recently announced that the program won an award in the 2002 Productivity and Quality Awards Program.

The first session of the 100-hour contract training certificate program, "Leadership through Contracts Management and Administration", developed in collaboration with Department of Human Resources, ISD, and County Counsel commenced on September 4, 2002. This is one of the latest additions to the County's Training Academy. Managers and senior staff from ISD and County Counsel are participating as subject matter experts to deliver the program.

Attached is a list of the remaining Bold Steps and IT Procurement recommendations organized by topical area, with the status or solution identified for each area. The Office of Small Business and the Small Business Commission have been very supportive of our work to date and provided insight and possible alternative solutions. ISD appreciates their ongoing support and feedback. Now that all major recommendations have been completed, we will work with the Office of Small Business and the Small Business Commission on the remaining minor issues and will alert your Board of any major issues.

Please call me if you have any questions, or have your staff call Dave Lambertson of my staff at (323) 267-2103.

JO:kh

Attachments

c: Each Department Head
Executive Officer, Board of Supervisors
Office of Small Business
Small Business Commission

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Topical Area: Improving County Contracting and Purchasing Resources

Recommendation 1.4 Develop a comprehensive County Contracting and Purchasing Manual.

IT Procurement Enhancement As part of their Countywide Classification review, DHR should work with departments to identify and consider IT contracting, purchasing expertise and resource issues, including any training and recruitment concerns.

Contracting and Purchasing are separate disciplines with different regulations, policies, and procedures. Departmental staff are typically segregated in different areas and are responsible for their discipline – procurement/purchasing or contracting. Staff may also have responsibility for specialty areas such as construction contracting or IT. A uniform approach to dissemination of consistent information and ongoing staff educational initiatives is key to improving County contracting and purchasing resources. Implementation of Recommendation 1.4 required segmenting a single manual into the five individual manuals identified below. Specific status on each one is shown in the attached Exhibit 1.

Living Wage Program

Insurance for Service Contracts

- Construction Contracting
- Purchasing
- Service Contracts

In addition to these manuals, additional reference material covering policies, procedures, best practices and practical guides to County contracting has been compiled and issued as a reference guide for 16-hour mandatory course for contracting staff titled "Orientation to Basic Principles of County Contracting". Staff from ISD, County Counsel, and the Auditor-Controller collaborated on course development and delivery, as well as the reference guide. The training program commenced in February 2002 and to date 575 staff have attended the mandatory training. Subject matter experts from the three lead departments continue to participate as the faculty. In order to meet continued demand, classes are scheduled through early 2003 to train the remaining 400 staff. This unique collaborative program was recently announced as an award winner in the 2002 Productivity and Quality Awards Program.

The 100 hour contract training certificate program, "Leadership through Contracts Management and Administration", developed by Department of Human Resources, ISD, and County Counsel commenced September 4, 2002. The program consists of 25 sessions that examine contracting as a discipline and includes County specific instruction, module exams and a class project. ISD and County Counsel are providing subject matter experts as faculty to deliver the program. The reference guide developed for the 16-hour program has been expanded and supplemented with case studies and class exercises.

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These two classes and corresponding reference guides will help meet the goal of this topical area. ISD continues to be involved in educational initiatives to improve County contracting and purchasing resources. The ISD Purchasing Division is offering an on-going full day class on Procurement and has recently started a 2-hour class on implementation of the Local Small Business Enterprise Preference Program. In addition, ISD continues to update purchasing and contracting reference material, including model solicitation documents and checklists, and provide updates electronically to purchasing and contracting staff throughout the County.

The County Department IT Focus Group believed that, particularly in the area of IT Contracting, departments did not have sufficient IT Contract staff resources and that the lack of IT expertise in the contracting process was an impediment in developing timely and effective Requests for Proposals. These concerns were referred to Department of Human Resources and they convened a meeting of County Contract Managers to discuss IT contracting staff resource concerns. DHR's report in this regard is attached.

Topical Area: Improving Technology

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| Recommendation 1.9 | Establish Countywide data standards for automation systems supporting purchasing and contracting to ensure that information can readily be passed back and forth between systems. |
| Recommendation 2.15 | Implement a tracking and monitoring system of County purchases and contracts. |
| IT Procurement Enhancement | Expand WebVen (the automated vendor registration system) to include all Service Contractors. |

The goal of these recommendations is to effectively use technology in purchasing and contracting business operations. ISD continues to play a leadership role in automating certain processes and exploring the use of new technologies. In the June 26, 2002 report, several initiatives were presented that satisfied the goal of these three recommendations. Additional progress has been made on those initiatives and is reported here.

ISD, in concert with the Office of Small Business, has implemented a data tracking and retrieval system to quantify the number of purchase orders or contracts awarded to those businesses meeting the County's criteria for a local small business enterprise, and the dollar amount awarded. The system also captures information on small business participation in County contracting. The CAO issued a memo to your Board on June 19, 2002 regarding this system and advised departments of the following requirements to strengthen departmental compliance with Board-ordered posting requirements:

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- Department staff shall attach a printed copy of the County's Bid web page solicitation to a Board letter recommending a contract award when it is filed for a Board agenda.
- CAO analysts shall review the Board letter to ensure compliance language is included and that the documentation of the solicitation posting on the Bid web page is attached.

Departmental staff shall include information in solicitation packages that informs potential bidders/proposers that to be awarded a contract/purchase order/commodity agreement, the vendor must be registered in WebVen, which is accessible on the Internet at <http://camisvr.co.la.ca.us/webven/>

These directives are also discussed in the 16-hour course and 100-hour program and model solicitation documents used by contracting staff have been updated to include vendor instructions to register in WebVen.

Topical Area: Enhancing Small Business Opportunities

Recommendation 4.1 Subdivide projects whenever feasible, legally, economically and physically, to make opportunities accessible to more contractors. Particularly consider subdividing by region.

Recommendation 4.2 Create a pilot program, to demonstrate feasibility of subdividing larger projects.

The goal of these recommendations is to open up contracting opportunities for small businesses to compete by reducing the size of contracts. Implementation of the Local Small Business Preference Program, discussed in the next topical area, will also satisfy these recommendations. Contracting for services on a regional basis, as well as expanded use of Master Agreements (Attachment 2), are viable solutions to ensure business opportunities are available to small businesses. Educating County staff on these contracting approaches and publicizing the availability of such opportunities to the vendor community is essential to enhance small business opportunities. The 16-hour course, as well as the 100-hour program, covers the Master Agreement concept, as well as effective usage of regional or service provider area oriented contract solicitations.

ISD has also developed a model solicitation document, a Request For Statement of Qualifications (RFSQ), which is included in the reference material for both the 16-hour course and 100-hour program and has been made available electronically to County departments. As a result of the departmental and vendor interest in the concept, the use of Master Agreements is expanding and additional Master Agreements have been implemented since the last status report.

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Topical Area: Small Businesses Preferences

Recommendation 4.7 Establish a system of incentives and allowances for small business to compete effectively.

In accordance with your Board's instructions, ISD, in conjunction with OSB, CAO, County Counsel and the Office of Affirmative Action Compliance (OAAC), developed a Local Small Business Enterprise (SBE) Preference Program. The Program was approved by the Board on July 23, 2002 and is effective for all solicitations issued after October 28, 2002. It is applicable to solicitations for the acquisition of goods and services, including construction, and provides for a five percent (5%) bid price reduction for County certified Local SBEs during the award determination process.

The CAO, with the assistance of County Counsel, ISD, and OAAC, has developed the Local SBE Preference Program Implementation Plan, which is being issued to County staff this week. OAAC will be responsible for verifying and certifying Local SBEs already certified as such by the State of California. The Office of Small Business (OSB) is making businesses aware of the Local SBE Preference Program through its ongoing outreach activities. ISD electronically notified all vendors currently registered in WebVen of the upcoming Program and the County's "How to do Business with Los Angeles County" website will be updated to include Local SBE Preference Program information. In addition, ISD commenced training on Program implementation to procurement and contracting staff on September 16, 2002. Implementation of the Local SBE Preference Program satisfies these three recommendations.

Topical Area: Vendor Relations

IT Procurement Enhancement	Establish a formalized Vendor Relations Office within ISD's centralized Purchasing and Contract Services organization.
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IT Procurement Enhancement	Establish a designated Purchasing and Contract advocate in each County department.
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ISD's request for "unmet needs" funding as part of the fiscal year 2002-03 budget process to establish a formalized Vendor Relations Office within ISD's Purchasing and Contract Services was not approved by the CAO. In addition to providing a central point of contact at ISD for vendor inquiries, the Office was expected to coordinate a departmental Purchasing and Contract Advocate (PCA) Network similar to the existing Contract Managers Network. Due to currently limited staff resources, implementation of these recommendations as written will be postponed. However, ISD will continue to use the existing Procurement Network and County Contracting Network (formerly the Contract Managers Network) as forums for education, networking, and a coordinated approach to vendor relations.

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Topical Area: General Process and Contracting Issues

IT Procurement Enhancement	ISD shall perform a review of the current Information Technology Agreement (ITSSMA) contracts process to determine if there are opportunities for streamlining current practices and procedures and will implement any improvements identified.
IT Procurement Enhancement	ISD shall also initiate a focus group of departments who currently perform a significant amount of their own IT contracting and the other central agencies involved (e.g., CIO, County Counsel, etc.) to determine if a standard, Countywide approach can be developed.
IT Procurement Enhancement	County Counsel shall review the concerns related to the standard terms and conditions (i.e., intellectual property rights, liability, indemnification and confidentiality) to determine what options are available to enable the County to enter into contracts with those firms who have previously declined to enter into existing County service contracts (e.g., ITSSMA, etc.)

ITSSMA is a valuable tool for departments to obtain information technology services from technically approved pre-qualified vendors. ISD is analyzing current ITSSMA business processes and will implement operational improvements within the next 60 days.

In order to effectuate a standard County approach to IT contracting, additional initiatives have recently been introduced. County Counsel, CIO and ISD are collaborating with other departments on their large IT projects and participating on the project teams from inception. For example, these three departments recently assisted Department of Mental Health (DMH) with a fast-track solicitation for a management information system to bring DMH into compliance with the Administrative Simplification Provisions of the Health Insurance Portability Act (HIPAA). DMH was able to accomplish their contract in a timely manner with active involvement of the other three departments during the entire process. In addition, ISD is incorporating a regular breakout session in the semi-monthly County Contracting Network meetings that will be devoted to IT contracting issues.

ISD also actively participates at vendor outreach events to discuss IT contracting opportunities in the County and educate vendors on the County's requirements. At a recent Government Business and Education Technical Seminar, staff from CIO, County Counsel and ISD IT Contracts participated in a panel discussion on how to obtain IT contracts with the County. ISD staff are also scheduled to participate in an IT Contracting panel discussion at the October 2, 2002 Contracting Connections Workshop sponsored by the Office of Small Business.

Members from both the focus groups, and the vendors surveyed during the ITSSMA study, have expressed concerns with certain of the County's standard contract terms and conditions,

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particularly as they relate to contracts for services and the manner in which they may discourage many large firms from participating in the ITSSMA master agreement process. ISD, in concert with County Counsel, has categorized the issues associated with the ITSSMA terms and conditions and will be meeting in the next quarter to assess the relative risk associated with modifying the terms and conditions. We will report back to your Board on this assessment and any resultant recommendations.

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STATUS OF MANUALS

Manual	Description	Status
Living Wage Program	Covers the Living Wage Program set forth in County Code for Proposition A and cafeteria services contracts and includes implementation plans approved by the Board, solicitation and contract language, required forms, and proposal/bid evaluation processes.	ISD originally published the manual in November 1999 and updates it as Living Wage Program changes occur. Updates are distributed via email broadcast to all manual holders. ISD, in conjunction with Office of Affirmative Action Compliance, also provides training for County contracting staff as program changes occur. The fourth revision was issued on June 20, 2002. Conversion of the manual for website access has been delayed until the entire manual has been reissued due to the number of changes required in the last six months. This conversion is targeted for Fall 2002.
Insurance for Service Contracts	Covers indemnification and insurance requirements for all service contracts. Includes solicitation and contract language, sample insurance certificates, and the SPARTA insurance program geared for small businesses.	The Chief Administrative Office (CAO) Risk Management Section published the manual in June 2000. Updates will be made as program changes occur and ISD will assist the CAO in distributing them via email broadcast to contracting staff. Insurance program and policy information excerpted from the manual is currently available on the CAO's website.
Construction Contracting	Covers policies and procedures for construction contracts and related services, such as architects and engineers, which are subject to the provisions of State of California Public Contracting Code.	The Department of Public Works (DPW) issued the hardcopy policy and procedure manual and posted it on the DPW website in January 2002. There is also a direct link to the manual from the County's "How to Do Business" website.

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STATUS OF MANUALS

Manual	Description	Status
Purchasing	Covers policies and procedures for service contracts under \$100,000 and procurement of all commodities that are subject to the provisions of the State of California Government Code.	ISD completed the update to the Purchasing Manual in December 2001 and disseminated the document to appropriate County purchasing staff. It is available in electronic format on the County's website and is updated as necessary.
Service Contracts	Covers policies and procedures for service contracts over \$100,000 that are subject to the provisions of the State of California Government Code, as well as Proposition A service contracts subject to the provisions of the County Code.	In concert with subject matter experts from County Counsel and Auditor-Controller, ISD has developed an extensive reference guide of policies, procedures, best practices and practical advice for the "Orientation to County Contracting Principles" class. The reference guide was published in February 2002 and continues to be updated as changes in the County's processes occur. A companion 'How to' Guide has been drafted and is in final review prior to issuance which is targeted for fall 2002. The finished products will be made available on the County's website.

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MASTER AGREEMENTS

Background

Under the Master Agreement concept, vendors respond to a detailed solicitation document, usually a Request for Statement of Qualifications (RFSQ), with their qualifications. If qualified in accordance with the RFSQ, vendors will receive a Master Agreement that has been approved by the Board. Specific projects are bid to vendors in the appropriate category and award is made on low bid. Some agreements have set terms of one year or more. Others allow vendors to qualify at any time during the term of the agreement. Subcontracting opportunities are also available with the prime contractors.

Examples of Master Agreements

Information Technology Support Services Master Agreements (ITSSMA): Over 140 pre-qualified vendors are under agreement to provide a range of Information Technology services in eleven different categories.

Communications Support Services Master Agreements (CSSMA): **Eighteen vendors are under agreement to provide a pool of readily available skilled telecommunications technical and engineering support professionals to supplement in-house staff and help meet fluctuating workloads.**

Job Order Contract (JOC) Agreements: These agreements are with general contractors and several specialty contractors to provide facilities repair, deferred maintenance and refurbishment services requested by County departments. Ten agreements were recently approved for a one-year period. Six are certified CBE vendors. As reported in ISD's quarterly report on JOC usage, the size of the initial award was reduced in order to reduce bonding requirements that place a burden on small businesses.

Architect and Engineering Master Agreements: Ten firms have one-year contracts for as needed services related to repair and refurbishment projects undertaken by ISD.

Energy Support Services Master Agreement (ESSMA): An agreement for various services with eight energy-consulting firms.

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Audit and Consulting Services: The Auditor-Controller has a number of firms under agreement to provide auditing and consulting services to all County departments. They are in the process of soliciting qualified firms for the upcoming contracts.

Strategic Planning Consultants: The CAO has sixteen firms under agreement to provide as-needed strategic planning and related consulting services to the County departments.

Telecommunications Support Services Master Agreement (TESMA): ISD has sixteen firms under agreement for as-needed telecommunications equipment installation and related support services.

UPCOMING MASTER AGREEMENTS

Customer Service Training: DHR is preparing a RFSQ for as-needed customer service training for use by all County departments.



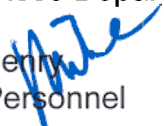
COUNTY OF LOS ANGELES DEPARTMENT OF HUMAN RESOURCES

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MICHAEL J. HENRY
DIRECTOR OF PERSONNEL

October 3, 2002

To: Joan Ouderkirk, Director
Internal Services Department

From: Michael J. Henry 
Director of Personnel

Subject: **INFORMATION TECHNOLOGY (IT) PROCUREMENT PROCESS
DHR FINAL STATUS REPORT**

This memo will provide you with the Department of Human Resources' (DHR) final status report related to the Information Technology (IT) Procurement Process.

My staff reviewed the specific issues documented in the October 17, 2001 Board memo. We convened a meeting with a representative group of department managers and supervisors from large departments who are involved in the IT contracts function. In addition, DHR conducted a Countywide survey of this function. Both efforts resulted in the identification, and recommendations for resolution of the following remaining issues:

1. Lack of IT Expertise and Basic Contract Knowledge and Skills

DHR believes this issue has been resolved by the development of the following training programs.

- DHR, in consultation with the Internal Services Department (ISD), County Counsel, and the Auditor-Controller's Office, has developed a two-day workshop entitled Basic Principles of County Contracting. The training is mandatory for all contract managers, contract analysts, program managers and contract monitoring staff. The program began March 28, 2002 and will continue in order to accommodate the target training population of approximately 700 employees. The curriculum covers an overview of the legal authority for contracting and purchasing in the County; the contract solicitation process (including selecting the appropriate process, developing the statement of work with specific deliverables, and evaluating proposals); contract negotiations, contract approval, vendor relations, and contract monitoring processes.

- Additionally, a 100-hour Contract Manager/Analyst Certificate program has been designed by DHR, County subject matter experts and California State University faculty through the Los Angeles County Training Academy. The course began on September 4, 2002 with approximately 26 participants from 18 County departments.

2. IT Contracting Positions and the Inconsistent Use of Classifications

DHR held meetings with a representative group of department managers and supervisors to discuss issues related to the inconsistent use of classifications performing IT contracts functions. Although the group did not believe these issues required immediate attention, DHR conducted a representative survey of County departments. The survey was to identify classes used by departments in preparing both the scope of work/specification, and the actual preparation of the full contract documents.

The survey found there are very few County departments which have positions assigned to perform IT contracting functions on a full-time basis. The survey also found that the IT managers typically assign an IT professional to prepare the scope of work/specification, especially for major departmental acquisitions and services. The contract administration staff typically prepare the final contract document that is sent to the Board. The departmental contract managers work closely with IT staff to finalize the contract documents. In addition, many departments utilize the IT contracts expertise of ISD.

My staff have taken into account information from both the representative survey and feedback from departmental managers and supervisors. We have also met extensively with a group of contracting unit managers and other subject matter experts on the development of the new contracting classes. To ensure consistent use of classes with IT contract responsibilities, we are recommending the following:

Positions with less than full-time (but significant) IT contracts responsibilities will be allocated to the appropriate class in the new Contract Analyst series.

- Highly technical positions where IT skills are needed to develop the scope of work and contract specifications for IT contracts will be allocated to the appropriate IT class.

If you have any questions, please contact me at (213) 974-2406, or your staff may contact Authra Waterhouse at (213) 974-8481. We understand you will incorporate this information into your next report to the Board.

MJH:STS
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